
WEEKLY FINANCIAL SERVICES REPUBLICAN ROUND-UP

MESSAGING RESOURCES/POLLING UPDATE

Reforming Fannie And Freddie Must Be A Priority.

Fannie Mae and Freddie Mac were at the center of the mortgage market meltdown that caused the financial crisis. However, the Democrats' financial regulation bill, H.R. 4173, which narrowly passed the House of Representatives, failed to include a single provision to address the status of the two companies.

The bailout of Fannie Mae and Freddie Mac has already cost taxpayers more than \$127 billion.

Real financial regulatory reform must address the long-term status of the GSEs.

While Democrats continue to punt on addressing the fundamental problem at the GSEs, Republicans have taken action to protect taxpayers and address the future of Fannie and Freddie.

The Republican financial regulatory reform legislation (HR 3310) includes an exit strategy from Fannie and Freddie in order to protect taxpayers from having to foot the bill for the GSEs.

Additionally, last week, Republicans released a set of principles for GSE reform. The principles would wind down the operations of Fannie and Freddie within four years ending once and for all the disastrous government experiment in privatized profits and socialized losses.

Democrats Are Silent On A Plan For Fannie, Freddie.

Since taking office 15 months ago, the Obama Administration has failed to address the future of Fannie and Freddie. Instead of providing a real reform for the GSEs, the Administration has twice increased the amount of Fannie and Freddie's bailout from \$200 billion to an unlimited amount.

When the Administration gave Fannie and Freddie a blank check, it was reported that a plan for the GSEs would be included in its 2011 budget released in February. However, the 2011 budget includes only two lines on the GSEs. On February 24th, Treasury Secretary Geithner confirmed in testimony that the Administration has no plan for how to extricate taxpayers from the open-ended commitment that has already cost them more than \$127 billion.

Taxpayers should not be forced to dump hundreds of billions of dollars more. A clear exit strategy is needed now.

Administration Officials Continue To Change Timetable, Course For A Plan:

Christina Romer: "I think that [Fannie and Freddie] is certainly going to be an issue going forward. I think it should be part of the overall financial regulatory reform, to figure out what is the best way." (CNN Situation Room, 3/22/2009)

Treasury Secretary Tim Geithner: "The future of the GSEs, including Fannie and Freddie, will be an important -- is an important challenge for us. But we are not going to -- I'm violating my rule of getting ahead of the president. We are not going to recommend in our initial proposals for reform precisely what we think the future of this should be. We're going to begin a process of consulting with the Congress and a broad section of housing experts on what we think the range of options are. But we're going to defer recommendations on those things for a bit longer." (Senate Banking Committee hearing, 6/9/2009)

"Now, we are going to have to come to the Congress and propose how to deal with the future of those entities, but now is not the time to do that." (Financial Services Committee hearing, 7/10/2009)

"What we have said is that we believe early in the year we're going to outline at least our initial ideas on options for how we do that" (Financial Services Committee hearing, 10/29/2009)

"That's going to be a difficult set of reforms, but we do not believe it's necessary to consolidate the full obligations of those entities onto the balance sheet of the federal government at this stage.... We want to make sure that we are proposing these changes at a time when we have a little bit more distance from the worst housing crisis in generations... We can't do everything right away." (House Budget Committee, 2/24/2010)

Robert Gibbs: "Obviously, as part of financial regulatory reform, GSE reform is going to be part of that.... I don't have a specific timetable. I can certainly look into that. Again, I know it's certainly part of a broader financial regulatory reform. And, obviously, both play an important role in the president's home loan modification program and overall housing policy." (Press briefing, 8/6/2009)

Fannie, Freddie's Liabilities Must Be On Budget In Order To Provide Accountability, Transparency.

According to the CBO, the operations of Fannie Mae and Freddie Mac added \$291 billion to the Federal deficit in 2009, but the Administration's budget request does not place the housing GSEs on-budget.

As a result, there is confusion over the legal status of the companies' \$1.7 trillion in debt.

The failure to account for the cost of the government takeover of Fannie and Freddie not only undermines budget transparency and accountability, it also makes our efforts to encourage the deployment of private capital to the housing finance market more difficult because of uncertainty about their status, mission and objectives.

Confusing and contradictory statements by elected officials only compound the uncertainty. This underscores the immediate need for a plan to wind down the GSEs and extricate the taxpayers from these open-ended bailouts.

ON THE HORIZON

Tuesday, March 23: The Full Committee will convene for a hearing entitled "Housing Finance-What Should the New System Be Able to Do?: Part I-Government and Stakeholder Perspectives" at 10 am in room 2128 Rayburn.

Wednesday, March 24: The Housing Subcommittee will hold a hearing on "H.R. 4868, Housing Preservation and Tenant Protection Act of 2010" at 10 am in room 2128 Rayburn. At 2 pm, the Financial Institutions Subcommittee will convene a hearing on consumer credit reports.

Thursday, March 25: The Full Committee will hold a hearing entitled "Unwinding Emergency Federal Reserve Liquidity Programs and Implications for Economic Recovery" at 10 am in room 2128 Rayburn.

WEEKEND MUST-READS

Wall Street Journal: "The Federal Reserve as Piggy Bank ... The Federal Reserve funds itself, making money on the buying and selling and holding of U.S. government and mortgage-backed securities, among other things. After paying its expenses, any profits go to the U.S. Treasury."

NY Times: "Dump Fannie and Freddie, G.O.P. Lawmaker Urges ... Senate Democrats may have ended negotiations with their Republican counterparts over the financial regulatory bill, but House Republicans remain active and vocal in the debate."

Wall Street Journal: "Cities, States Tell Big Banks They'll Go Elsewhere ... Fed up with the tight supply of credit, state and local governments across the U.S. are starting to punish big banks."

Wall Street Journal: "Fed Joins Chorus Singing 'Jobs, Jobs, Jobs' ... President Barack Obama isn't the only one obsessed with 'jobs, jobs, jobs.' The Federal Reserve is similarly focused on unemployment."

NY Times: "Fed Fights to Keep Oversight of Banks That Aren't Big ... Officials at the Federal Reserve are trying to alter a Senate proposal that would focus the Fed's regulatory attention on the nation's biggest banks and strip away its powers over small and medium-size banks."

NY Daily News: "Rep. Bachus demands hearing on Lehman report, says Fed, SEC may have 'turned a blind eye' on fraud ... A Republican lawmaker requested a congressional hearing on a bankruptcy examiner's report on Lehman Brothers Holdings Inc (LEHMQ.PK), saying the findings cast doubts on the Federal Reserve's supervisory role."

REPUBLICANS IN THE NEWS

Rep. Shelley Moore Capito issued this press release: [Capito on Choice Neighborhoods Initiative](#)

Rep. Jeb Hensarling issued this press release: [Hensarling: What's Not In Dodd Bill? Ending Bailouts of GSEs and Ending "too big to fail"](#)

Rep. Scott Garrett issued this press release: [Garrett Introduces United States Covered Bond Act](#)

Rep. Tom Price issued this press release: [Price Statement on Dodd Proposal](#)

Rep. Michele Bachmann issued this press release: [Senate Regulatory Reform Proposal Falls Short](#)

Rep. Bill Posey issued this press release: [House Members Question New SEC Climate Change Requirements](#)

Rep. Spencer Bachus issued the following press releases: [House Republicans Release Principles For Reform Of Fannie Mae And Freddie Mac](#); [Bachus: Reporting Shows Further Evidence Fed Was Aware of Fraudulent Accounting Activities](#); [Bachus: Lehman Brothers Report Raises Serious Concerns About The Capability Of The Federal Reserve To Conduct Bank Supervision](#); [Bachus Cautions HUD to Watch Spending, Calls for Top-Down Review of Agency](#); [Bachus Calls for Hearings on Lehman Brothers Bankruptcy Report](#); [Bachus: Senate Regulatory Reform Proposal Yet Another Missed Opportunity for Real Reform](#)

CARTOON OF THE WEEK

(The Hill)